

Amber Township
Mason County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2008

Amber Township

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As management of Amber Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Amber Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- The General Fund fund balance decreased by \$6,651, while the Downtown Development Authority Fund balance increased by \$238,304.
- The Township spent \$91,080 on improving roads within the Township during the year. With these expenditures, the Township was able to complete road projects and start the access road from Lowes to Wal-Mart.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Amber Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and community and economic development.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Downtown Development Authority Fund, which are considered major funds

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Downtown Development Authority.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Amber Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2008, the Township's net assets from governmental activities totaled \$1,279,816.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets, net of related debt (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$1,167,894. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities	
	2008	2007
Current assets	\$ 1,191,961	\$ 959,987
Capital assets	111,922	111,594
Total assets	1,303,883	1,071,581
Current liabilities	24,067	32,005
Noncurrent liabilities	-	23,527
Total liabilities	24,067	55,532
Net assets		
Invested in capital assets, net of related debt	111,922	111,594
Unrestricted	1,167,894	904,455
Total net assets	\$ 1,279,816	\$ 1,016,049

The increase in current assets was primarily attributable to the increase in cash within the DDA, which was a result of the Township not spending funds due to no new projects materializing within the DDA. Noncurrent liabilities decreased due to the Township making its regularly scheduled debt payments.

Governmental Activities

Governmental activities net assets increased by \$263,767 during the 2008 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues		
Charges for services	\$ 42,411	\$ 37,451
Capital grants and contributions	2,882	2,888
General revenues		
Property taxes	295,796	293,823
Grants and contributions not restricted	140,443	139,730
Unrestricted investment earning	40,688	23,308
Miscellaneous	4,188	3,799
Gain on sale of timber	21,835	-
Total revenues	548,243	500,999
Expenses:		
General government	151,834	141,117
Public safety	10,621	10,900
Public works	120,021	73,656
Community and economic development	235	1,085
Interest on long-term debt	1,765	2,842
Total expenses	284,476	229,600
Change in net assets	263,767	271,399
Net assets - Beginning	1,016,049	744,650
Net assets - Ending	\$ 1,279,816	\$ 1,016,049

When comparing the 2008 fiscal year to the 2007 fiscal year, revenue and expenditures of governmental activities were fairly consistent for most categories. The exception to the consistency is the line item labeled gain on sale of timber and public works. The Township has some undeveloped land which it is able to harvest the timber on a periodic basis in conformity with the Township plan. The public works expenditures increased in the current year due to additional road work done within the Township.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Amber Township. At the end of the fiscal year 2008, the entire amount of the General Fund fund balance was unreserved. This was a slight decrease when compared to fiscal year 2007.

The Downtown Development Authority Fund accounts for the activities that are designed to provide infrastructure along US 10 to help develop the potential economic benefits. The fund balance at the end of the 2008 fiscal year was \$825,925, an increase of 41% over the prior year. The reason for such a large increase is because the Downtown Development Authority had relatively little activity with current tax revenue raised being set aside for future projects.

At March 31, 2008, Amber Township's governmental funds reported a combined fund balance of \$1,190,745. This number represents the unreserved fund balance of \$364,820 in the General Fund, and an unreserved fund balance of \$825,925 in the Downtown Development Authority. The reserved balance is for future projects that will be used to benefit and encourage growth within the area of the Downtown Development Authority.

General Fund Budget

During the current fiscal year, the Township made the following significant amendments to its original budget.

- Amended the budget for Township Board due to professional fees, and contracted services being higher than expected.

The following comment summarizes the major variations from the final budget to actual revenues and expenditures.

- Property tax revenue was less than budgeted and charges for services were greater than budgeted due to the property tax admin fee being incorrectly budgeted as part of property tax revenue.

Capital Assets Administration

Amber Township's investment in capital assets for its governmental activities as of March 31, 2008 totaled \$111,922 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles.

During the year ended March 31, 2008 the township re-shingled the township hall for \$3,600.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 29,316	\$ 29,316
Buildings and improvements	82,606	82,278
Furniture and equipment	-	-
Total	<u>\$ 111,922</u>	<u>\$ 111,594</u>

Additional information on the Township's capital assets can be found in the notes to financial statements.

Long-Term Debt

At the end of the 2007 fiscal year, the Township had total outstanding debt of \$54,638 consisting of a note payable to a local bank incurred due to past road projects. During the year ended March 31, 2008, the Township made its scheduled payment and reduced the debt by \$31,787, leaving a debt balance at \$22,851 as of March 31, 2008. The total debt of \$22,851 in governmental funds is backed by the full-faith and credit of the Township. The final payment for this debt will be paid in May 2008.

Additional information on the Township's long-term debt can be found in the notes to the financial statements.

General Economic Overview

Amber Township's General Fund is comprised of two major revenue sources: state revenue sharing and property tax revenue. Those two sources comprise approximately 79% of the General Fund's revenue sources. In fiscal year 2009, state revenue sharing is expected to remain flat. Property tax revenues will probably increase slightly due to an increase in taxable value and expected increased development within the Township. Expenditures are expected to remain consistent with 2008.

The Township is optimistic for future economic growth development.

Requests for Information

This financial report is designed to provide a general overview of the Amber Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Amber Township, 221 North Gordon Road, Scottville, Michigan, 49454, (231) 757-2160.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 29, 2008

Members of the Township Board
Amber Township
Scottville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amber Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Amber Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Amber Township, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 18 - 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



ASSETS

The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

		Program Revenue		Net (Expenses) Revenue and Changes in Net Assets
<i>Functions/Programs</i>	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Governmental activities				
General government	\$ 151,834	\$ 42,411	\$ -	\$ (109,423)
Public safety	10,621	-	-	(10,621)
Public works	120,021	-	2,882	(117,139)
Community and economic development	235	-	-	(235)
Interest on long-term debt	<u>1,765</u>	<u>-</u>	<u>-</u>	<u>(1,765)</u>
Total	<u>\$ 284,476</u>	<u>\$ 42,411</u>	<u>\$ 2,882</u>	(239,183)
General revenues				
Property taxes, levied for general purposes				295,796
Grants and contributions not restricted to specific programs				140,443
Unrestricted investment earnings				40,688
Miscellaneous				4,188
Sale of timber				<u>21,835</u>
Total general revenues				<u>502,950</u>
Change in net assets				263,767
Net assets at April 1, 2007				<u>1,016,049</u>
Net assets at March 31, 2008				<u>\$ 1,279,816</u>

The accompanying notes are an integral part of this statement.

Amber Township
BALANCE SHEET
 Governmental Funds
 March 31, 2008

	General Fund	Downtown Development Authority	Total governmental funds
ASSETS			
Cash and investments	\$ 330,958	\$ 825,925	\$ 1,156,883
Property taxes receivable	13,010	-	13,010
Due from other governmental units	22,068	-	22,068
Total assets	<u>\$ 366,036</u>	<u>\$ 825,925</u>	<u>\$ 1,191,961</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,216	\$ -	\$ 1,216
Fund balances			
Unreserved, undesignated			
General Fund	364,820	-	364,820
Special Revenue Fund	-	825,925	825,925
Total fund balances	<u>364,820</u>	<u>825,925</u>	<u>1,190,745</u>
Total liabilities and fund balances	<u>\$ 366,036</u>	<u>\$ 825,925</u>	<u>\$ 1,191,961</u>

The accompanying notes are an integral part of this statement.

Amber Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2008

Total fund balance—governmental funds	\$	1,190,745
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$	161,499	
Accumulated depreciation		<u>(49,577)</u>	111,922

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

Note payable		<u>(22,851)</u>
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,279,816</u></u>
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The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2008

	General Fund	Downtown Development Authority	Total governmental funds
REVENUES			
Property taxes	\$ 82,505	\$ 213,291	\$ 295,796
Intergovernmental revenues - State	143,325	-	143,325
Charges for services	42,411	-	42,411
Investment earnings	13,319	27,369	40,688
Other	4,188	-	4,188
Total revenues	285,748	240,660	526,408
EXPENDITURES			
Current			
General government	146,205	2,356	148,561
Public safety	10,621	-	10,621
Public works	120,021	-	120,021
Community and economic development	235	-	235
Debt service			
Principal	31,787	-	31,787
Interest and fees	1,765	-	1,765
Capital outlay	3,600	-	3,600
Total expenditures	314,234	2,356	316,590
Excess of revenue over (under) expenditures	(28,486)	238,304	209,818
OTHER FINANCING SOURCES			
Proceeds from sale of timber	21,835	-	21,835
Net change in fund balances	(6,651)	238,304	231,653
Fund balances at April 1, 2007	371,471	587,621	959,092
Fund balances at March 31, 2008	\$ 364,820	\$ 825,925	\$ 1,190,745

The accompanying notes are an integral part of this statement.

Amber Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2008

Net change in fund balances—total governmental funds	\$	231,653
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.		
Depreciation expense	\$	(3,273)
Capital outlay	<u>3,600</u>	327
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		<u>31,787</u>
Change in net assets of governmental activities	\$	<u><u>263,767</u></u>

The accompanying notes are an integral part of this statement.

Amber Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 March 31, 2008

	Private Purpose Trust Fund - Simple	Tax Collection- Agency Fund
ASSETS		
Cash and cash equivalents	\$ <u>1,674</u>	\$ <u>12,597</u>
LIABILITIES		
Due to other governmental units	\$ <u>1,674</u>	\$ <u>12,597</u>

The accompanying notes are an integral part of this statement.

Amber Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Amber Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

Amber Township (Township) is a common law township governed by an elected five-member board.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The Township does not contain any discretely presented component units. The blended component unit has a March 31 fiscal year end.

Blended Component Unit

Downtown Development Authority (DDA). The DDA board is appointed by the Township Board. The DDA board cannot authorize and issue debt independent from the Township. The DDA is presented as a special revenue fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Downtown Development Authority is used to improve the Township's infrastructure.

Additionally, the Township reports the following fund type:

The Agency Fund accounts for assets the Township holds on behalf of others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$108,040,000 of which approximately \$17,000,000 was captured by the Downtown Development Authority (DDA). The ad valorem taxes levied consisted of .9098 mills for the Township's operating purposes. These amounts are recognized in the respective General Fund and DDA.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Equipment	5-10

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended March 31, 2008, actual expenditures exceeded appropriations by \$3,600 for capital outlay in the General Fund.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$1,197,240 of the Township's bank balance of \$1,297,240 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 29,316	\$ -	\$ -	\$ 29,316
Capital assets, being depreciated:				
Buildings and improvements	126,583	3,600	-	130,183
Furniture and equipment	2,000	-	-	2,000
Total capital assets, being depreciated	128,583	3,600	-	132,183
Less accumulated depreciation:				
Buildings and improvements	44,304	3,273	-	47,577
Furniture and equipment	2,000	-	-	2,000
Total accumulated depreciation	46,304	3,273	-	49,577
Total capital assets, being depreciated, net	82,279	327	-	82,606
Capital assets, net	\$ 111,595	\$ 327	\$ -	\$ 111,922

Depreciation

Depreciation expense of \$3,273 was charged to general government.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 March 31, 2008

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2008.

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Governmental activities:					
Note payable	\$ 54,638	\$ -	\$ 31,787	\$ 22,851	\$ 22,851

Governmental activities:

General obligation bonds:

Note payable to bank due in annual installments
 of \$23,638, including interest through May 2008;
 interest at 3.25%.

\$ 23,638

Annual debt service requirements to maturity for debt outstanding as of March 31, 2008 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2009	\$ 22,851	\$ 788
	\$ 22,851	\$ 788

NOTE F—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Guarantees

The Township and various other entities are guarantors of an equipment financing agreement of the Mason County Rural Fire Authority. Management anticipates no loss as a result of its share of the \$610,000 guarantee.

Amber Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE G—PENSION PLAN

The Township provides pension benefits for all of its board members through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township adopted a defined contribution pension plan, effective April 20, 1969, with the John Hancock Life Insurance Company. The annuity formula or schedule is based upon \$100 contribution per employee earning less than \$300 annually; \$200 for those earning \$300 or more but less than \$600; \$300 for those earning \$600 or more but less than \$900; \$400 for those earning \$900 or more but less than \$1,200; \$500 for those earning \$1,200 or more but less than \$1,500; and \$600 for those earning \$1,500 or more.

For the year ended March 31, 2008, the contribution to the Plan by the Township was approximately \$3,800.

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 50 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Amber Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 116,000	\$ 116,000	\$ 82,505	\$ (33,495)
Intergovernmental revenues - State	142,000	142,000	143,325	1,325
Charges for services	3,000	3,000	42,411	39,411
Investment earnings	11,000	11,000	13,319	2,319
Other	-	-	4,188	4,188
Total revenues	272,000	272,000	285,748	13,748
EXPENDITURES				
Current				
General government				
Board	22,000	32,700	27,250	5,450
Supervisor	18,000	18,000	17,691	309
Elections	5,000	5,000	2,977	2,023
Board of review	1,000	1,800	1,750	50
Clerk	20,000	20,100	20,010	90
Treasurer	26,000	26,000	22,321	3,679
Assessor	25,000	25,000	24,329	671
Township hall	22,000	24,300	26,056	(1,756)
Land division	-	200	200	-
Cemetery	4,000	4,000	3,621	379
Public safety				
Fire	13,000	13,000	10,621	2,379
Public works				
Roads	90,000	91,100	91,080	20
Water and Sewer	32,000	32,000	28,941	3,059
Community and economic development				
Planning	3,500	3,500	235	3,265
Culture and recreation				
Parks	2,500	2,500	-	2,500
Other governmental functions				
Contingency	50,000	1,200	-	1,200
Debt service				
Principal	-	33,600	31,787	1,813
Interest and fees	-	-	1,765	(1,765)
Capital outlay	-	-	3,600	(3,600)
Total expenditures	334,000	334,000	314,234	19,766
Excess of revenue over (under) expenditures	(62,000)	(62,000)	(28,486)	33,514
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of timber	-	-	21,835	21,835
Net change in fund balances	\$ (62,000)	\$ (62,000)	(6,651)	\$ 55,349
Fund balance at April 1, 2007			371,471	
Fund balance at March 31, 2008			\$ 364,820	

Amber Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Downtown Development Authority
For the year ended March 31, 2008

	Budgeted amounts		Actual	Variance with final budget- Positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 213,291	\$ (1,709)
Investment earnings	12,000	12,000	27,369	15,369
Total revenues	227,000	227,000	240,660	13,660
EXPENDITURES				
Current				
General government	3,000	3,000	2,356	644
Public works	811,000	811,000	-	811,000
Total expenditures	814,000	814,000	2,356	811,644
Net change in fund balance	\$ (587,000)	\$ (587,000)	238,304	\$ 825,304
Fund balance at April 1, 2007			587,621	
Fund balance at March 31, 2008			\$ 825,925	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 29, 2008

Township Board
Amber Township
Scottville, Michigan

In planning and performing our audit of the governmental activities, each major fund and the aggregate remaining fund information of Amber Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Amber Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Amber Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Amber Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Township Board and chief executive officer.

Recommendation 3: The accounting for transactions between bank accounts should be improved.

During our review of the general ledger activities, we noted that transactions involving multiple bank accounts would be broken apart and recorded on separate days in separate fiscal years.

The proper accounting for bank account activities would improve the accuracy of the general ledger by helping ensure that transactions are reported in the current period.